Fund Financial Statements of

THE CONTRIBUTORY PENSION PLAN FOR SALARIED EMPLOYEES OF McMASTER UNIVERSITY INCLUDING McMASTER DIVINITY COLLEGE

And Independent Auditors' Report thereon

Year ended June 30, 2019

Registration Number 0215400

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INDEPENDENT AUDITORS' REPORT

To the Administrator of The Contributory Pension Plan for Salaried Employees of McMaster University including McMaster Divinity College.

Opinion

We have audited the accompanying fund financial statements of The Contributory Pension Plan for Salaried Employees of McMaster University including McMaster Divinity College (the “Plan”), which comprise:

- the statement of net assets available for benefits as at June 30, 2019
- the statement of changes in net assets available for benefits for the year then ended
- and notes to the fund financial statements, including a summary of significant accounting policies and other explanatory information.

(Hereinafter referred to as the “fund financial statements”).

In our opinion, the accompanying fund financial statements, present fairly, in all material respects, the net assets available for benefits of the Plan as at June 30, 2019, and its changes in net assets available for benefits for the year then ended in accordance with the financial reporting provisions of Section 76 of Regulation 909 of the Pension Benefits Act (Ontario).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *“Auditors’ Responsibilities for the Audit of the Financial Statements”* section of our auditors’ report.

We are independent of the Plan in accordance with the ethical requirements that are relevant to our audit of the fund financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Financial Reporting Framework

We draw attention to Note 1(a) in the fund financial statements, which describes the applicable financial reporting framework and the purpose of the financial statements.

As a result, the fund financial statements may not be suitable for another purpose.

Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the fund financial statements in accordance with the financial reporting provisions of Section 76 of Regulation 909 of the Pension Benefits Act (Ontario), and for such internal control as management determines is necessary to enable the preparation of fund financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the fund financial statements, management is responsible for assessing the Plan's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Plan or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Plan's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the fund financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the fund financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the fund financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Plan's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the fund financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Plan to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the fund financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada
November 19, 2019

THE CONTRIBUTORY PENSION PLAN FOR SALARIED EMPLOYEES OF MCMASTER UNIVERSITY INCLUDING MCMASTER DIVINITY COLLEGE

Statement of Net Assets Available for Benefits
(in thousands of dollars)

June 30, 2019, with comparative information for 2018

		2019		2018
Assets				
Employer contributions receivable	$	6	$	-
Employee contributions receivable		2		4
Investment in Master Trust (note 2)		4,362		4,068
Total assets		4,370		4,072
Liabilities				
Fees payable and accrued liabilities		44		12
Net assets available for benefits	$	4,326	$	4,060

Subsequent event (note 7)

See accompanying notes to fund financial statements

On behalf of the Administrator:

(signed)

Roger Couldrey
Vice-President (Administration)
McMaster University

(signed)

Deidre Henne
Assistant Vice-President (Administration) & CFO
McMaster University

THE CONTRIBUTORY PENSION PLAN FOR SALARIED EMPLOYEES OF MCMASTER UNIVERSITY INCLUDING MCMASTER DIVINITY COLLEGE

Statement of Changes in Net Assets Available for Benefits
(in thousands of dollars)

June 30, 2019, with comparative information for 2018

		2019		2018
INCREASE IN NET ASSETS				
Investment income allocated by the Master Trust Fund (note 4):				
Investment income	$	102	$	90
Net realized gain on sale of investments		127		120
Net realized gain on sale of units in the Master Trust Fund		39		8
		268		218
Change in net unrealized gain in investments		-		101
		268		319
Contributions:				
Employer current service		92		108
Employer past service		35		13
Employee required		33		38
		160		159
		428		478
DECREASE IN NET ASSETS				
Change in net unrealized loss in investments		27		-
Payments to members:				
Pension benefits		3		2
Termination benefits		7		-
		10		2
Expenses:				
Investment managers		9		10
Audit		8		8
Professional		104		33
Trustee and custodial		3		3
Administrative		1		-
		125		54
		162		56
Net increase in net assets available for benefits		266		422
Net assets available for benefits, beginning of year		4,060		3,638
Net assets available for benefits, end of year	$	4,326	$	4,060

Subsequent event (note 7)

See accompanying notes to fund financial statements.

The Contributory Pension Plan for Salaried Employees of McMaster University Including McMaster Divinity College (the "Plan") is a defined benefit registered pension plan in the Province of Ontario under registration number 0215400, the Administrator of which is McMaster University.

McMaster University operates the Master Trust Fund to facilitate the collective management of the investment assets for pension plans of McMaster University and Divinity College. These fund financial statements reflect the consolidation of net assets held by the Plan directly and its share of the net assets of the Master Trust Fund.

The Plan is operated in accordance with the Trust and Custodial Services Agreement dated July 1, 2000, between McMaster University (the "Administrator") and CIBC Mellon Trust Company (the "Trustee").

1. Significant accounting policies:

(a) Basis of presentation:

As permitted by The Financial Services Commission of Ontario ("FSCO") under Section 76 of the Regulation 909 to the Pension Benefits Act (Ontario), the Plan has prepared fund financial statements in accordance with Canadian accounting standards for pension plans as outlined under CPA Canada Handbook Section 4600 excluding pension obligations and any resulting surplus or deficit.

In selecting or changing accounting policies that do not relate to its investment portfolio or pension obligations, Section 4600 requires the Plan to comply (on a consistent basis) with either International Financial Reporting Standards (IFRS) - Part I of CPA Canada Handbook - Accounting or Canadian Accounting Standards for Private Enterprises - Part II of CPA Canada Handbook - Accounting. The plan has chosen to comply on a consistent basis with IFRS.

These fund financial statements have been prepared to assist the Administrator of The Contributory Pension Plan for Salaried Employees of McMaster University including McMaster Divinity College in meeting the requirements of the Financial Services Commission of Ontario. As a result, these fund financial statements may not be suitable for another purpose.

These fund financial statements of the Plan do not purport to show the adequacy of the Plan's assets to meet its pension obligation. Such an assessment requires additional information, such as the Plan's actuarial reports and information about McMaster University including McMaster Divinity College's financial health.

(b) Basis of measurement:

The fund financial statements have been prepared on the historical cost basis, except for investments and derivative financial instruments which are measured at fair value through the statement of changes in net assets available for benefits.

(c) Functional and presentation currency:

These fund financial statements are presented in Canadian dollars, which is the Plan's functional currency.

1. Significant accounting policies (continued):

(d) Financial assets and financial liabilities:

(i) Non-derivative financial assets:

Financial assets are recognized initially on the trade date, which is the date that the Plan becomes a party to the contractual provisions of the instrument. Upon initial recognition, attributable transaction costs are recognized in the statement of changes in net assets available for benefits as incurred.

The Plan measures all of its investments at fair value through the statement of changes in net assets available for benefits.

All other non-derivative financial assets including contributions receivable are measured at amortized cost.

The Plan derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Plan neither transfers nor retains substantially all the risks and rewards of ownership and does not retain control of the financial asset.

On de-recognition of a financial asset, the difference between the carrying amount of the asset and consideration received is recognized in the statement of changes in net assets available for benefits as a net realized gain (loss) on sale of investments.

(ii) Non-derivative financial liabilities:

All financial liabilities are recognized initially on the trade date at which the Plan becomes a party to the contractual provisions of the instrument.

The Plan derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial assets and liabilities are offset and the net amount presented in the statement of net assets when, and only when, the Plan has a legal right to offset the amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Plan considers its fees payable and accrued liabilities to be a non-derivative financial liability.

(iii) Derivative financial instruments:

Derivative financial instruments are recognized initially at fair value and attributable transaction costs are recognized in the statement of changes in net assets available for benefits as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and all changes are recognized immediately in the statement of changes in net assets available for benefits.

(e) Fair value measurement:

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

In determining fair value, the Plan follows the guidance in IFRS 13, Fair Value Measurement ("IFRS 13") in Part I of the CPA Canada Handbook. As allowed under IFRS 13, if an asset or a liability measured at fair value has a bid and an ask price, the price within the bid-ask spread that is the most representative of fair value in the circumstances shall be used to measure fair value. The Plan uses closing market price as a practical expedient for fair value measurement.

1. Significant accounting policies (continued):

(e) Fair value measurement (continued):

When available, the Plan measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, then the Plan establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognized in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

All changes in fair value, other than interest and dividend income are recognized in the statement of changes in net assets available for benefits as part of the change in net unrealized gains.

Pooled funds are valued at the unit values supplied by the pooled fund administrator, which represent the Plan's proportionate share of underlying net assets at fair value using closing market prices.

Investments are stated at fair value. Fair values of investments including those held within the Master Trust are determined as follows:

i) Bonds and equities are valued at year-end quoted closing prices where available. Where quoted prices are not available, estimated fair values are calculated using comparable securities.

ii) Short-term notes, treasury bills and term deposits maturing within a year are stated at cost, which together with accrued interest income approximates fair value given the short-term nature of these investments.

iii) Pooled funds are valued at the unit values supplied by the pooled fund administrator, which represent the Plan's proportionate share of underlying net assets at fair values determined using closing market prices.

iv) Investments in derivative financial instruments, including futures, forwards and option contracts, are valued at year-end quoted market prices where available. Where quoted prices are not available, values are determined using pricing models, which take into account current market and contractual prices of the underlying instruments, as well as time value and yield curve or volatility factors underlying the positions.

Unrealized gains and losses on derivative financial instruments, net of premiums paid or received on options contracts, are included in derivative contracts investments.

Investment transactions are accounted for on the trade date.

1. Significant accounting policies (continued):

(f) Investment income:

Investment income, which is recorded on the accrual basis, includes interest income, dividends and pooled fund distributions.

(g) Change in net unrealized gain in investments:

The change in net unrealized gain or loss in investments is the change in the difference between the fair value and cost of investments from the beginning to the end of the year.

(h) Foreign currency:

Transactions in foreign currencies are translated into Canadian dollars at the exchange rate at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into Canadian dollars at the exchange rate at the reporting date.

The fair values of foreign currency denominated investments are translated into Canadian dollars at the reporting date rates of exchange. Gains and losses arising from transactions are included in investment income within the statement of changes in net assets available for benefits.

(i) Net realized gain or loss on sales of investments:

The net realized gain on sale of investments represents the difference between proceeds received and the average cost of investments sold.

The net realized gain or loss on sale of units in the Master Trust Fund represents the difference between the proceeds received and the average cost of the units sold.

(j) Income taxes:

The Plan is a Registered Pension Trust as defined by the Income Tax Act (Canada) and, accordingly, is not subject to income taxes.

(k) Use of estimates:

The preparation of the fund financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the statement of net assets and the reported amounts of changes in net assets available for benefits during the year. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.

(l) Changes in accounting standards:

In accordance with Canadian pension accounting standards, the Plan follows IFRS for certain aspects of its accounting, including the recognition of financial assets and financial liabilities. Effective July 1, 2018, the Plan adopted IRS 9 for the recognition and de-recognition requirements for financial assets and financial liabilities. The adoption of this accounting standard did not have an impact on the Plan's financial statements.

(in thousands of dollars)

2. Investment in Master Trust:

Details of the Master Trust Fund investments are asfollows:

	2019 Cost	2019 Fair Value	2018 Cost	2018 Fair value
Canadian short-term notes and treasury bills	$ 8,986	$ 8,986	$ 15,458	$ 15,458
Foreign short-term notes and treasury bills	1,955	1,934	1,167	1,172
Canadian common and preferred equities	146,283	221,740	133,056	207,436
Foreign common and preferred equities	48,666	80,473	57,694	95,767
Canadian bonds and debentures	150,013	154,811	143,060	143,091
Canadian fixed income pool funds	553,814	599,494	415,184	428,995
Canadian real estate pooled fund investments	21,517	22,920	20,750	21,260
Canadian equity pool fund investments	214,110	205,531	195,962	198,126
Foreign equity pool fund investments	562,991	859,316	612,036	945,567
Net foreign exchange contracts receivable/ (payable)	-	10,113	-	(9,024)
	1,708,335	2,165,318	1,594,367	2,047,848
Cash	8,313	8,313	722	722
Receivables	10,791	10,791	11,382	11,382
Accrued investment income	1,414	1,412	1,496	1,495
Accounts payable	(17,695)	(17,695)	(250)	(250)
	$ 1,711,158	$ 2,168,139	$ 1,607,717	$ 2,061,197

This allocation of the investment in the Master Trust Fund to the respective pension plans is as follows:

	2019 Units	2019 Fair Value	2018 Units	2018 Fair value
The Contributory Pension Plan for Salaried Employees of McMaster University including McMaster Divinity College 2000	6,739,058	$ 2,163,777	6,790,270	$ 2,057,129
The Contributory Pension Plan for Salaried Employees of McMaster University including McMaster Divinity College	13,586	4,362	13,428	4,068
		$ 2,168,139		$ 2,061,197

The cost of the units held in Master Trust Fund by the Plan at June 30, 2019 was $3,611 (2018 - $3,337).

(in thousands of dollars)

3. Statutory disclosures:

The following information is provided in respect of individual investments in the Master Trust Fund with a fair value in excess of 1% of the Master Trust Fund as at June 30, 2019 as required by the Pension Benefits Act (Ontario).

(a) Pooled fund investments:

Fund name	Fund operator	Nature of investments held	Fair value
BlackRock Long Bond Index Class A	BlackRock	Canadian bonds and debentures	$ 368,867
BlackRockRussell 1000 Alpha Tilts Fund B	BlackRock	US equities	311,862
GE Asset Management Canada Fund Canadian Equity	GE Asset Management	Canadian equities	191,234
NCS Canadian Institutional Trusts	Walter Scott	Non-North American equities	184,429
Black Rock Universe Bond Index Class A	BlackRock	Canadian bonds and debentures	158,542
GMO International Opportunities Equity Allocation Fund	GMO	Non-North American equities	147,662
Templeton International Equity Trust	Franklin Templeton	Non-North American equities	126,435
T Rowe Price US Large Cap Core Corp Growth Equity	T Rowe Price	US equities	91,400
BlackRock Real Return Bond Index Class A	BlackRock	Canadian bonds and debentures	72,086
Bentall Kennedy Prime Canadian Property Fund	Bentall Kennedy	Canadian real estate	22,920

(b) Canadian bonds and debentures:

Issuer	Cost	Fair value
Government of Canada	$ 22,907	$ 23,660
Provincials (Canadian)	54,934	57,688
Corporate	69,970	71,186

(in thousands of dollars)

4. Investment income:

Details of the investment income earned by the Master Trust Fund are as follows:

	2019	2018
Short-term notes and treasury bills	$ 217	$ 48
Canadian common and preferred equities	12,816	7,450
Foreign common and preferred equities	14,829	6,818
Bonds and debentures	6,231	1,331
Pooled fund investments	107,346	97,567
Foreign exchange (losses) gains including derivatives	(17,866)	11,185
	$ 123,573	$ 124,399

The allocation of the investment income to the respective pension plans is as follows:

	2019	2018
The Contributory Pension Plan for Salaried Employees of McMaster University including McMaster Divinity College 2000	$ 129,966	$ 123,426
The Contributory Pension Plan for Salaried Employees of McMaster University including McMaster Divinity College	268	218
	$ 130,234	$ 123,644
Timing difference between the realization of investment income in the Master Trust Fund and its allocation to the participating Pension Trust Funds	(6,661)	755
	$ 123,573	$ 124,399

5. Related party transactions:

McMaster University provides certain administrative services to the Plan which is recorded at the amount agreed to by the parties. The cost for these services for the year ended June 30, 2019 was $1 (2018 - $1), and is included in professional fees in the statement of changes in net assets available for benefits.

(in thousands of dollars)

6. Financial instruments:

The investment objectives of the Plan are to efficiently fund the benefits of the participating plan members. As part of the risk management process, the Administrator has established a diversification policy, set rate of return objectives and developed specific investment guidelines.

(a) Fair value:

The fair value of investments is disclosed in note 2. The fair value of the Plan's other financial assets and liabilities, being contributions receivable and fees payable and accrued liabilities, approximate their carrying values due to the short-term nature of these financial instruments.

Fair value measurements recognized in the statement of net assets available for benefits are categorized using a fair value hierarchy that reflects the significance of inputs used in determining the fair values.

- Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 - inputs for assets and liabilities that are not based on observable market data.

The Plan's investment in Master Trust is classified as Level 2. The following table presents the classification of the investments held within the Master Trust as at June 30, 2019, using the fair value hierarchy:

2019	Level 1	Level 2	Level 3	Total
Canadian short-term notes and treasury bills	$ -	$ 8,986	$ -	$ 8,986
Foreign short-term notes and treasury bills	-	1,934	-	1,934
Canadian common and preferred equities	221,740	-	-	221,740
Foreign common and preferred equities	80,473	-	-	80,473
Canadian bonds and debentures	-	154,811	-	154,811
Canadian fixed income pool funds	-	599,494	-	599,494
Canadian real estate pooled fund investments	-	22,920	-	22,920
Canadian equity pool fund investments	-	205,531	-	205,531
Foreign equity pool fund investments	-	859,316	-	859,316
Net foreign exchange contracts receivable	-	10,113	-	10,113
	$ 302,213	$ 1,863,105	$ -	$ 2,165,318

(in thousands of dollars)

6. Financial instruments (continued):

(a) Fair value (continued):

2018	Level 1	Level 2	Level 3	Total
Canadian short-term notes and treasury bills	$ -	$ 15,458	$ -	$ 15,458
Foreign short-term notes and treasury bills	-	1,172	-	1,172
Canadian common and preferred equities	207,436	-	-	207,436
Foreign common and preferred equities	95,767	-	-	95,767
Canadian bonds and debentures	-	143,091	-	143,091
Canadian fixed income pool funds	-	428,995	-	428,995
Canadian real estate pooled fund investments	-	21,260	-	21,260
Canadian equity pool fund investments	-	198,126	-	198,126
Foreign equity pool fund investments	-	945,567	-	945,567
Net foreign exchange contracts payable	-	(9,024)	-	(9,024)
	$ 303,203	$ 1,744,645	$ -	$ 2,047,848

(b) Associated risks:

(i) Market price risk:

Market price risk is the risk that the value of an instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to an individual investment, its issuer or all other factors affecting all instruments traded in the market. As all of the Plan's financial instruments are carried at fair value with fair value changes recognized in the statement of changes in net assets available for benefits, all changes in market conditions will directly affect the net increase (decrease) in net assets available for benefits. Market price risk is managed by the Administrator through construction of a diversified portfolio of instruments traded on various markets and across various industries.

As at June 30, 2019, had the unit prices of equity benchmarks increased or decreased by 10% and assuming there is a perfect positive correlation between the Plan's equity and pooled fund securities with all other variables held constant, the value of the Plan's total equities would have increased or decreased by approximately $278 or 6.4% of total net assets available for benefits (2018 - $294 or 7.2%). The unit price of the Plan's equity and pooled fund securities are affected by changes in market values, foreign exchange rates and interest rates impacting the underlying equity and debt instruments held within the Plan.

(in thousands of dollars)

6. Financial instruments (continued):

(b) Associated risks (continued):

(ii) Interest rate risk:

Interest rate risk is the risk that the market value of the Plan's investments will fluctuate due to changes in market interest rates. The Plan is exposed to the risk that the fair value or future cash flows of an investment will fluctuate because of changes in the market interest rates. The Plan mitigates this risk by diversifying the maturity schedule of its fixed income securities.

As at June 30, 2019, had the prevailing interest rates increased or decreased by 1%, with all other variables held constant, the value of the debt securities component of the Plan would have increased or decreased, respectively, by approximately $259 or 6.0% of total net assets available for benefits (2018 - $191 or 4.7%).

(iii) Liquidity risk:

Liquidity risk is the risk that the Plan may be unable to meet pension payment obligations in a timely manner and at a reasonable cost. Management of liquidity seeks to ensure that even under adverse conditions, the Plan has access to immediate cash that is necessary to cover benefits payable, withdrawals and other liabilities. The Statement of Investment Policies and Procedures requires the Plan's investments to be highly liquid so they can be converted into cash on short notice. The Plan's exposure to liquidity risk is considered negligible.

The accrued expenses of the Plan are all due within 90 days or less.

The following table summarizes the contractual maturities of all fixed income securities as at June 30th by the earlier of contractual repricing or maturity dates:

		2019		2018
Maturity range	Fair value	Percentage of fixed income	Fair value	Percentage of fixed income
0 to 5 years	$ 272	18.1%	$ 234	20.3%
5 to 10 years	223	14.7%	149	12.9%
Over 10 years	1,017	67.2%	767	66.8%
	$ 1,512	100.0%	$ 1,150	100.0%

(in thousands of dollars)

6. Financial instruments (continued):

(b) Associated risks (continued):

(iv) Foreign currency risk:

Foreign currency risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Plan invests in financial instruments denominated in various foreign currencies, other than its measurement currency. Consequently, the Plan is exposed to risks that the exchange of the various currencies may change in a manner that has an adverse effect on the value of the portion of the Plan's assets denominated in currencies other than the Canadian dollar. As at June 30, 2019 and June 30, 2018, the Plan held currency contracts which mitigated its exposure to currency risk. The Plan's overall currency positions and exposures are monitored on a regular basis by the Administrator.

The Plan's currency exposure of its investments as at June 30 is as follows:

		2019		2018
	Canadian dollar equivalent	Percentage of total	Canadian dollar equivalent	Percentage of total
US dollar	$ 972	22.4%	$ 1,102	26.7%
Euro	292	6.7%	278	6.7%
Japanese Yen	187	4.3%	225	5.5%
Other	184	4.2%	191	4.6%
Pound Sterling	142	3.3%	157	3.8%
Swiss Franc	72	1.7%	68	1.6%
Hong Kong dollar	46	1.1%	57	1.4%
	$ 1,895	43.7%	$ 2,078	50.3%

As at June 30, 2019, if the Canadian dollar strengthened or weakened by 5% in each respective foreign currency, with all other factors remaining constant, the following table summarizes the estimated impacts:

		2019		2018
	Net exposure	Estimated impact	Net exposure	Estimated impact
US dollar	$ 972	$ 49	$ 1,102	$ 55
Euro	292	15	278	14
Japanese Yen	187	9	225	11
Other	184	9	191	10
Pound Sterling	142	7	157	8
Swiss Franc	72	4	68	3
Hong Kong dollar	46	2	57	3
	$ 1,895	$ 95	$ 2,078	$ 104

(in thousands of dollars)

6. Financial instruments (continued):

(b) Associated risks (continued):

(v) Credit risk:

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Plan. Credit risk is generally higher when a non-exchange traded financial instrument is involved because the counterparty for non-exchange traded financial instruments is not backed by an exchange clearing house. The Plan policy does not permit investments in below investment grade securities. The credit risk is minimized by dealing with borrowers considered to be of high quality and by monitoring their credit risk. The Plan records all investments at fair value and therefore the values reflected in the statement of net assets available for benefits represent the maximum credit exposure to the Plan. The following is a summary of the June 30, 2019 weighted average of funds invested, and the respective allocation targets:

		Policy Asset Mix %		
	Asset Mix %	Minimum	Benchmark	Maximum
Canadian equities	19.9	16.0	20.0	24.0
U.S. equities	22.4	17.0	22.0	27.0
International equities	21.5	17.0	22.0	27.0
Real assets[1]	1.0	-	1.0	10.0
Total equities and real assets	64.8		65.0	
Fixed income	34.9	20.0	35.0	50.0
Cash and short term investment	0.3	-	-	10.0
Total fixed income	35.2		35.0	
Total	100.0		100.0	

[1] Real assets includes real estate and infrastructure investments.

The Total Fund Benchmark Portfolio and Asset Mix guidelines states that a minimum of 50% to a maximum of 80% of the total fund's assets by market value can be invested in equities and real assets. The Total Fund Benchmark Portfolio and Asset Mix Policy also states a minimum of 20% to a maximum of 50% of the total fund's assets can be invested in fixed income which includes cash and short term investments.

(in thousands of dollars)

6. Financial instruments (continued):

(b) Associated risks (continued):

(v) Credit risk (continued):

The following is a summary of the Plan's investments in interest-bearing financial instruments and the Plan's exposure to credit risk as at June 30, 2019:

		2019		2018
Credit rating	Fair value	Percentage of portfolio	Fair value	Percentage of portfolio
AAA	$ 481	31.8	$ 390	33.9
AA	638	42.3	458	39.8
A	264	17.4	213	18.5
BBB	129	8.5	89	7.8
Lower than BBB	-	-	-	-
	$ 1,512	100.0	$ 1,150	100.0

(c) Interest-bearing investments:

The following information is provided in respect of interest-bearing investments in the Master Trust Fund:

		2019		2018
	Investment total	Average effective yield	Investment total	Average effective yield
Short-term notes and treasury bills	$ 10,920	1.2%	$ 16,630	0.7%
Canadian bonds and debenture	$ 154,811	2.2%	$ 143,091	2.9%

The average effective yield is the rate at which the future cash flows of the instrument must be discounted to arrive at the fair value of the instrument.

(in thousands of dollars)

7. Capital risk management:

The capital of the Plan is represented by the net assets available for benefits. The main objective of the defined benefit Plan is to ensure the security of the promised pension benefits under the Plan. The Plan fulfils its primary objective by adhering to specific investment policies outlined in its Statement of Investment Policies and Procedures (the “SIP&P”), which is reviewed annually by the Pension Committee. The Plan manages net assets available for benefits by engaging knowledgeable investment managers who are charged with the responsibility of investing existing funds and new funds (contributions) in accordance with the approved SIP&P. For the year ended June 30, 2019 the Plan followed the most recently effective SIP&P which was amended effective December 7, 2017. The latest amendment to the SIP&P included updates to align with industry practice and to reflect regulatory requirements, as well as updates to eligible investments, manager mandates, and investment mix.

Subsequent to the year end the SIP&P was amended on October 24, 2019.

The Plan’s investment managers and other consultants as at June 30, 2019 are as follows:

Services	Managers and Consultants
Investment Consultant	Aon Hewitt Associates
Investment Manager	Bentall Kennedy
	Beutel Goodman & Company Ltd.
	BlackRock Investment Management
	Jarislowsky Fraser & Company Limited
	Grantham, Mayo, van Otterloo & Company
	Franklin Templeton Investment Corp
	State Street Global Advisors Limited
	Walter Scott & Partners Limited
Actuary	Mercer Human Resources Consulting Ltd.
Custodian/ Trustee	CIBC Mellon Trust Company

Although there are no regulatory requirements relating to the level of net assets available for benefits, the funding to be maintained by the defined benefit Plan is determined through triennial actuarial valuations. No contributions remain past due as of June 30, 2019. The Pension Plan investments fell within the asset mix target ranges for the Plan as at June 30, 2019.

The Plan is required to file fund financial statements with the Financial Services Regulatory Authority (FSRA) of Ontario annually. FSRA replaced FSCO effective June 2019.